

# Teachers' Retirement System

## Plan 2&3 Disability Benefits

*The provisions governing your disability benefits are contained in the Revised Code of Washington (RCW) Chapter 41.32 and the Washington Administrative Code (WAC) Chapter 415-112. This publication summarizes those provisions. It is not a complete description of the law. If there are any conflicts between what is written in this publication and what is contained in the law, the applicable law will govern.*

You are a Teachers' Retirement System (TRS) Plan 2 member if you established TRS membership on or after October 1, 1977, and before July 1, 1996, and have not transferred to TRS Plan 3. You are a TRS Plan 3 member if you established membership in TRS on or after July 1, 1996 or transferred from TRS Plan 2 to Plan 3.

If you are a member of TRS Plan 2 or Plan 3 and you become disabled, you may be entitled to disability benefits. This publication describes disability benefits and how to apply for them. The Department of Retirement Systems (DRS) recommends that you contact a TRS retirement services analyst if you intend to apply for disability benefits. See "How Do I Apply?" on page 2.

You may also be eligible for benefits from the Department of Labor and Industries (Workers' Compensation benefits), the Department of Social and Health Services, the Social Security Administration and your employer. Please contact these organizations directly for more information.

## Am I eligible for disability retirement?

To be eligible for disability retirement benefits, you must be totally incapacitated for continued employment with a TRS employer and leave that employment as a result of the disability. No minimum amount of service credit is required for you to be eligible for a TRS Plan 2 or Plan 3 disability retirement benefit.

DRS determines disability based upon your condition at the time of application. You are responsible for providing DRS with medical information to show that you are totally incapacitated for continued employment. Your doctor must support any opinions or conclusions with objective data, such as observations recorded in office visit notes and tests. You are responsible for scheduling and paying for independent medical examinations.

You have not separated from service if you are on any type of leave. For example, Joseph is disabled and on unpaid leave from his employer. He is not eligible for a disability retirement allowance because his employer is still reporting him as an employee. However, Joseph may apply for disability retirement and receive a determination of eligibility from DRS before separating from employment.

## What is my benefit?

### Plan 2 Disability Benefits

You will receive a monthly benefit calculated as follows: 2 percent x average final compensation x service credit years. Average final compensation is based on your 60 consecutive highest creditable months of service. Service credit is your total years and months of service credit at the time you separate from employment.

Your benefit will be actuarially reduced to reflect the difference between your age at the time of disability and age 65. The reduction is determined using tables provided by the Office of the State Actuary. A reduction table for your plan can be found in your *TRS Plan 2 Member Handbook*.

**Example:** Suppose you are age 55 with 25 years of service credit when you separate from employment. Your benefit would be 37 percent (found in the table) of the standard option benefit, which is determined by using the 2 percent x average final compensation x service credit years formula.

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## TRS Plan 2 & 3 Disability Benefits

### Plan 3 Disability Benefits

*The defined contribution portion of Plan 3 is not a factor in determining your disability benefit. Plan 3 defined contribution investment funds are available for distribution anytime you leave employment.*

You will receive a monthly benefit calculated as follows: 1 percent x average final compensation x service credit years. Average final compensation is based on your 60 consecutive highest creditable months of service. Service credit is your total years and months of service credit at the time you separate from employment.

Your benefit will be actuarially reduced to reflect the difference between your age at the time of disability and age 65. The reduction is determined using tables provided by the Office of the State Actuary. A reduction table for your plan can be found in your *TRS Plan 3 Member Handbook*.

**Example:** Suppose you are age 55 with 25 years of service credit when you separate from employment. Your benefit would be 37 percent (found in the table) of the standard option benefit, which is determined by using the 1 percent x average final compensation x service credit years formula.

### Lump sum payment instead of monthly benefit

If your Plan 2 standard monthly benefit will be less than \$50.00 or your Plan 3 monthly benefit will be less than the minimum payment (determined annually), DRS will provide you with an estimate and ask you to choose between the monthly benefit or a lump sum payment at the time you receive your estimate. For Plan 2 members, if you choose a monthly benefit, you cancel all rights for a future withdrawal of your contributions. If you choose a lump sum payment, you cancel all rights for a future monthly defined benefit.

In the event that you recover from your disability and once again become employed by a TRS-covered employer at comparable compensation, you can re-instate your previous service credit cancelled by the lump-sum payment. To do so, you must pay back the lump-sum disability benefit plus interest, minus payments that you would have received in monthly benefits. The deadline to re-establish this service credit is two years from the date you returned to TRS membership.

## Can I lose my benefit?

If you are receiving a monthly disability retirement benefit, DRS may require you to undergo comprehensive medical examinations. You are responsible for providing medical proof of your disability and paying the cost of such proof. You or your doctor must report any change in your condition to DRS.

If medical examinations show that you have recovered from the disability for which TRS granted a disability retirement, you will no longer be eligible to receive the benefit if you are offered employment by a TRS-covered employer, at comparable compensation to the time of your disability retirement, plus applicable cost of living adjustments.

## How do I apply?

Contact DRS for an estimate and application packet. (See contact information at the end of this brochure.)

When you contact DRS, be prepared to provide the following information:

- Your name, address, and daytime phone number
- Your Social Security Number
- Your retirement system and plan
- Your beneficiary's date of birth
- Your employment status (leave of absence, sick leave, shared leave, etc.)
- The date you expect to end your employment

## TRS Plan 2 & 3 Disability Benefits

When you receive your packet, make sure that all three parts of the TRS disability application are completed by the proper persons and returned to DRS.

- **Part 1: Disability Retirement Application.** - *You must complete, sign and have notarized.*
- **Part 2: Employer's Statement and Report.** - *Your employer must complete, sign and return directly to DRS.*
- **Part 3: Medical Report.** - *Your physician must complete, sign and return directly to DRS.*

Once Part 1 of the disability application is received by DRS, you have applied for disability benefits. However, your eligibility will not be determined until DRS receives all three parts of the application. Be sure and keep a copy of Part 1 for your records.

## How long does approval take and when will my benefit begin?

When all three parts of the completed application are received by DRS, the determination process takes approximately two weeks. However, the process may take longer if DRS requires additional information from you or other sources concerning your application. DRS will contact you if additional information is needed to process your application.

Your benefit will not begin until you separate from employment. If you continue working full-time or part-time and do not separate within 60 days of the application approval date, DRS will cancel its approval. If you then become totally incapacitated, you must reapply and submit new medical evidence for consideration.

## Other provisions concerning disability benefits

### Appealing a decision

If DRS denies your application for benefits, you may petition for a review within 120 days of receiving the denial. Instructions are available in Chapter 415-04 WAC. If your petition is denied, DRS will inform you of the appeal procedures, which are available in Chapter 415-08 WAC. You will have 60 days to appeal the decision. DRS does not pay for tests, reports, or examinations needed during the appeals process.

If you have separated from service, do not return to work and file another disability application based on the same conditions (no additional information); DRS does not consider it a new application and will deny it. However, if you file an application that is denied before you separate from service (e.g., you are on leave), you may file another application if the same condition gets worse and/or if you are able to provide additional information.

### Errors

If you receive an overpayment of your disability benefit, DRS will require that the overpayment be repaid. If you receive an underpayment, DRS will correct the error and pay you in full.

### Taxation and assignment of benefits

Disability benefits are taxed as ordinary income until normal retirement age. You may be able to receive tax credits for the elderly or disabled as explained in the Internal Revenue Service (IRS) Publication 524. You must complete a W-4P form to tell DRS how much of your benefit you want withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you are married and claiming three exemptions. You are responsible for declaring the proper amount of taxable income on your income tax return.

Your retirement benefits may be subject to court or administrative orders for such things as spousal maintenance or child support, or orders authorized by federal law. DRS is authorized to divide retirement benefits between members and ex-spouses based upon court-ordered property division. If the property division dissolution order complies with the applicable law, DRS will send the property division payment directly to your ex-spouse. For more information, see the member publication *How Can a Property Division Affect My Retirement Account?* available on the DRS Web site.

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### Where to find more information

Refer to your *TRS Plan 2* or *Plan 3 Member Handbook*, visit the DRS Web site, or contact DRS directly. DRS office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays. Before visiting, please call to schedule an appointment.

**Send mail to:**

Department of Retirement Systems  
PO Box 48380  
Olympia, WA 98504-8380

**Call:**

Toll-free at 1-800-547-6657  
Olympia area call (360) 664-7000

**Web site:**

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For information about obtaining a copy of this publication in an alternate format, contact DRS Publications at 800-547-6657, extension 47278. From the Olympia area, call 360-664-7278.

